



Department of Justice

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FORMER COLUMBUS BUSINESSMEN PLEAD GUILTY TO CONSPIRING TO COMMIT TAX FRAUD

Superior Electric Company execs admit claiming personal expenses as business costs

COLUMBUS – Jerry P. Gemeinhardt and John P. McShane pled guilty in United States District Court here today to one count of conspiring to defraud the United States by impeding and impairing the Internal Revenue Service. Gemeinhardt was President and half owner of Superior Electric Company ("SEC"), a commercial electrical contracting company based here. McShane was the company's Chief Financial Officer.

Gemeinhardt also pled guilty to one count of bank fraud.

Gregory G. Lockhart, United States Attorney for the Southern District of Ohio; Eileen J. O'Connor, Assistant Attorney General for the Justice Department's Tax Division; and Nancy Jardini, Chief, Internal Revenue Service Criminal Investigation Division, announced the pleas entered today before United States District Judge Gregory L. Frost.

Beginning shortly after McShane, now age 44, of Delaware, Ohio assumed his duties as CFO in 1996; he and Gemeinhardt took part in a scheme to falsely characterize Gemeinhardt's personal expenses as business expenses. Gemeinhardt, now 53, now lives in Tampa, Florida.

These expenses covered, among other things, the costs of enhancing and operating Gemeinhardt's 65-foot yacht, the salary for the yacht captain and first mate, the landscaping at his residence as well as the payment of credit card bills for his boat captain and his personal maid. This scheme resulted in Gemeinhardt receiving more than two million dollars in unreported income from SEC from 1998 through 2001. It also caused both the tax returns filed by SEC, Gemeinhardt and the other half owner of SEC to be false. The defendants' mischaracterization of Gemeinhardt's personal expenses on the company's and his own tax returns caused a tax loss of approximately \$867,000.

This scheme, along with a decline in SEC's business after 9/11, led to shortages of cash in 2002. As Gemeinhardt continued to use SEC funds for his personal expenses, he directed

McShane to use the cash available in the business to pay other expenses instead of SEC 's payroll taxes. This led to a payroll tax loss of \$1,628,722 for 2002.

Gemeinhardt also knowingly provided false financial documents, including personal financial statements, to National City Bank in support of the continuation and enlargement of a SEC line of credit. On October 28, 2002, Gemeinhardt signed a promissory note personally guaranteeing a \$2,300,000 term loan from the bank to SEC, which was part of its line of credit. This term loan was granted based in part upon false financial documents submitted by Gemeinhardt. SEC ceased doing business in 2003 due to its inability to meet creditor obligations, including the line of credit and the unpaid payroll tax liability. The other owner removed Gemeinhardt from the business, reorganized, and started a new company with a much smaller staff.

Gemeinhardt and McShane each face up to five years in prison, a fine of up to \$250,000, and up to 3 years supervised release on the conspiracy charge. The maximum penalty for bank fraud is 30 years in prison, and a fine of up to one-million dollars.

The case was investigated by IRS Criminal Investigation Special Agent Mark Bailey, and prosecuted by United States Department of Justice, Tax Division Trial Attorneys Richard Rolwing and Michael Ben' Ary.

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